

## Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08  
FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06  
SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 STR-04 PA-02 PRS-01  
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FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 2616

INFO USMISSION OECD PARIS

UNCLAS WELLINGTON 0261

E.O. 11652: N/A

TAGS: EALR NZ

SUBJECT: MANY PRICES RISE AFTER RENT AND PRICE CONTROLS END

REF: WELLINGTON 176

1. FOLLOWING THE END OF THE AUGUST 18, 1976 PRICE FREEZE ON DECEMBER 31, THERE HAS BEEN A SPATE OF RETAIL PRICE INCREASES IN A WIDE VARIETY OF ITEMS. ONE WELLINGTON SUPERMARKET MANAGER REPORTED THAT DURING THE SECOND WEEK OF JANUARY HE HAD RECEIVED NOTIFICATION OF PRICE INCREASES FOR BETWEEN 200 AND 300 ITEMS. THESE COVERED SUCH BASIC ITEMS AS COFFEE, FLOUR, CHICKENS, ICE CREAM AND CANDIES. AND THIS TREND IS EXPECTED TO CONTINUE AS PRODUCERS' AUTHORIZED INCREASES ARE PASSED TO WHOLESALERS AND EVENTUALLY TO THE RETAILERS. ONE AUCKLAND GROCERY WHOLESALER'S NOTICE OF PRICE RISES EFFECTIVE JANUARY 12 COVERED 130 DIFFERENT LINE ITEMS.

2. SOME PRICE INCREASES HAD BEEN ANNOUNCED EARLIER BY THE GOVERNMENT TO TAKE EFFECT FOLLOWING THE END OF THE PRICE FREEZE. THESE COVERED, INTER ALIA, ITEMS OR SERVICES FOR WHICH THE GOVERNMENT HAS BEEN PAYING CONSUMER UNCLASSIFIED

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SUBSIDIES. BREAD, WHICH IS SUBSIDIZED, INCREASED FOUR CENTS FOR AN AVERAGE LOAF. ON APRIL 1 THE COST OF ELECTRICITY WILL TAKE ANOTHER BIG JUMP.

3. WOMEN'S FASHION GARMENTS, WHICH WERE EXEMPTED FROM THE PRICE FREEZE, ACCOUNTED FOR AN IMPORTANT PART OF THE INCREASE FOR APPAREL PRICES IN THE LAST QUARTER OF 1976,

THUS GIVING A BIG BOOST TO THE CPI. CLOTHING MANUFACTURERS PREDICT MORE INCREASES BECAUSE CLOTHING MANUFACTURE IS A FEMALE INTENSIVE INDUSTRY AND AS THE EQUAL-PAY FOR FEMALE WORKERS LEGISLATION IS IMPLEMENTED THE HIGHER COSTS MUST BE PASSED ON TO THE CONSUMER.

4. NEW CAR PRICE INCREASES OF BETWEEN 1.7 AND 13.9 PER CENT HAVE BEEN ANNOUNCED BY TWO LARGE AUTOMOBILE ASSEMBLERS. THIS MEANS INCREASES OF UP TO \$666.

5. THERE ARE REPORTS OF RENT INCREASES ALSO. THOUGH THERE WERE SOME INDIVIDUAL LARGE INCREASES REPORTED, RENT INCREASES DO NOT APPEAR TO BE AS WIDESPREAD.

6. THE FEDERATION OF LABOR HAS JUST ANNOUNCED THAT IT WILL REQUEST A WAGE INCREASE FOR ITS WORKERS OF 12.8 PER CENT. THE COMBINED STATE SERVICES ORGANISATION ANNOUNCED IT WOULD REQUEST 13 PER CENT. THESE ARE BASED MAINLY ON THE CPI INCREASE FOR 1976. WITH THE NEW SURGE OF PRICE INCREASES, THERE IS RENEWED DANGER OF ANOTHER PRICE-WAGE SPIRAL INFLATION GETTING STARTED IF STEPS ARE NOT TAKEN IN THE NEAR FUTURE TO CURB THIS ESCALATION. SELDEN

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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